

FULBRIGHT GRANTS AND U.S. INCOME TAXES

The Bureau of Educational and Cultural Affairs (ECA) of the U.S. Department of State, the Council for International Exchange of Scholars (CIES), and the Institute of International Education (IIE) are not qualified to provide advice concerning U.S. income taxes or state income taxes to Fulbright grantees. Each individual's income tax situation is unique. Fulbright grantees are strongly urged to consider their personal cases before departure for their Fulbright grants and consult professional tax advisers if necessary.

The following information applies to all Fulbright grants:

- Fulbright grants are subject to U.S. income taxes. (*See IRS Publication 970 for details*)
- No income tax is withheld from Fulbright grants; do not expect to receive a W-2 form for Fulbright income. CIES will send scholars a statement indicating how much income in grant payments the Fulbright grantee received during the tax year. IIE does **not** send students either a W-2 form or a statement of income. However, the IIE program officer can advise students what grant payments were made in a tax year, if so requested.
- The Fulbright Grant Authorization document, which you signed before starting your grant, should outline the funds you received during your grant period. For those of you who had your checks deposited into a bank account; you can also check your bank statements to see how much was deposited in any given year.
- Taxable grant payments are reportable in the year in which they are made. For example, a Fulbrighter with a ten-month grant who begins the grant in September 2011 will receive two grant checks in tax year 2011 and two grant checks in tax year 2012. Figure income tax liability only on the amount of grant funds received in calendar year 2011 or 2012. A Fulbrighter who begins a grant in January 2012 will usually receive the first check in December 2011 and thereby incurs income tax liability for 2011.

IRS Publications Pertinent to Fulbright Grantees

- **Form 1040**, *U.S. Individual Income Tax Return*
- **Form 1040ES**, *Estimated Taxes for Individuals*. Most Fulbrighters pay estimated tax payments on the taxable portion of their Fulbright grants. Please study the requirements for making estimated tax payments before leaving the United States; especially if you have not paid taxes this way before. Once the taxes have been paid, either through withholding or estimated tax payments (Form 1040-ES), Fulbrighters must file a tax return, Form 1040, by April 15th of the following year (i.e., the 2011 return would be due on 04/15/2012). You may use Form 4868 to postpone filing a tax return from April 15 to August 15. However, this is only an extension of time to file. Any payments are still due by the April 15th deadline. One convenient way to make or schedule estimated tax payments is through the Electronic Federal Tax Payment System (EFTPS) at EFTPS.gov. This system enables you to schedule a draft from your U.S. bank account, and check on the status of those payments or change the scheduled amounts. Be sure to sign-up on their website prior to leaving.

- **Publication 970, *Tax Benefits for Education***, consolidates information on all benefits for education and the taxability of scholarships and grants in one document.
- **Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad***, explains the concept of "tax home". U.S. citizens who can establish a "tax home" outside the U.S. and reside there at least 330 days may not have to pay U.S. income taxes for income earned during that period. Rules for establishing a "tax home" are more complicated than just being out of the United States for 330 days. Few Fulbrighters qualify for the "tax home" exemption.
- **Publication 463, *Travel, Entertainment, Gift and Car Expenses***, identifies deductions which U.S. Fulbright lecturers may be allowed to take on their U.S. income taxes during their grants. Keep receipts and good records to use these deductions. U.S. Fulbright researchers and students rarely qualify to use this category of deductions. IRS Publication 463 refers taxpayers to a U.S. Department of State publication, *Maximum Travel Per Diem Allowances for Foreign Areas*, for deductions allowable for some Fulbrighters. U.S. Embassies are familiar with this document. Foreign per diem rates are also available on the Department of State web site: http://aoprals.state.gov/content.asp?content_id=184&menu_id=78. Overseas, the U.S. Embassy can advise about *per diem* rates for the country of assignment. The per diem allowance covers food and incidentals. Receipts must still be kept for actual hotel and certain other expenses.
- **Publication 901, *U.S. Tax Treaties***
- **Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return***
- **Form 2555 or 2555-EZ, *Foreign Earned Income Exclusion***

The IRS maintains a website where you can download forms and publications at <http://www.irs.ustreas.gov/formspubs/index.html>. The IRS publications can also be ordered free from the Internal Revenue Service. See Form 1040 instruction book for addresses of IRS's regional distribution centers.

U.S. Embassies and Consulates may have sets of basic IRS forms and instructions available for consultation during the peak income tax period, January to April. However, neither the Public Affairs Section of the U.S. Embassy, U.S. Consulates nor Fulbright Commissions can provide tax advice. If you anticipate needing more than the basic 1040 forms for filing your personal tax return, you should arrange for someone in the U.S. to mail the necessary forms to you or obtain them from the IRS website.

State and Municipal Taxes

If you are required to fill State or Municipal income taxes, you should explore the appropriate website before you leave or arrange for someone in the U.S. to mail the necessary forms to you.